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FM AMEMBASSY SANTIAGO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4038  
INFO RUCNMER/MERCOSUR COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEAIIA/CIA WASHDC  
RHEHNSC/NSC WASHDC

UNCLAS SANTIAGO 001065

STATE PLEASE PASS TO USTR KATE DUCKWORTH  
STATE PLEASE PASS TO FEDERAL RESERVE TOM CONNORS  
TREASURY FOR SSENICH  
COMMERCE FOR KMANN

SIPDIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [EINV](#) [ECIN](#) [PGOV](#) [PREL](#) [CI](#)

SUBJECT: CHILE: ECONOMIC HIGHLIGHTS WEEK OF DECEMBER 1

REFS: SANTIAGO 1044 AND PREVIOUS

11. SUMMARY: This continues a series of regular updates on major developments in Chile's economy since the acceleration of global financial turmoil. By week's end, December 5, copper prices hit a four-year low, the peso fell against the dollar, and the stock market was down. The indicator of monthly economic activity fell to 2.7% in October. Inflation fell to 8.9% in November (higher than expected). Lending to consumers fell in October. The Economist predicts investment in Chile in 2009 will fall for the first time since 1997. Private banks received loan guarantees for small- and medium-size enterprises. The GOC halted its Sovereign Wealth Fund investment diversification plan. END SUMMARY.

#### Copper Prices Hit Lowest Point In Four Years

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12. On the London Metals Exchange, copper closed at \$1.38/pound on December 5, down almost 15% from its close on November 28 (\$1.62/pound). The day's price was the lowest in four years.

#### Chilean Peso Loses Ground Against Dollar

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13. On December 5, the exchange rate closed at 674.6 Chilean Pesos to 1 U.S. Dollar (a depreciation of 2% from the close on November 28).

#### Stock Market Closes Down For The Week

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14. The IPSA closed at 2306.26 points on December 5, down almost 4% on the close of November 28.

#### Economic Activity Slows In October

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15. The Central Bank released key economic indicators December 4, which show the Chilean economy slowed in October. The indicator of monthly economic activity (Imacec) grew by only 2.7%, when compared with October 2007. This is also a decrease when compared with activity in September 2008 (5.6%).

#### Inflation Falls In November

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16. According to the Central Bank's December 4 report, the Consumer Price Index decreased in November to 8.9% (from 9.9% in October) a drop of 0.1%. The decrease was less than expected and due almost

entirely to a fall in fuel prices, which dropped by 14.5% in November.

#### Decrease In Lending To Consumers In October

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¶17. According to Chile's Association of Banks (Abif), lending to consumers fell by 0.98% in October. The Association estimates consumer lending will remain flat during 2008. Home loans, commercial loans, and external loans increased in October and the Association estimates the three areas will grow by 10% in 2008.

#### The Economist Projects Fall In Investment

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¶18. During the week, the Economist Intelligence Unit published an analysis of the Chilean economy, which predicts the economy will grow by only 1% in 2009. Investment is also forecast to fall by 5.5% in Chile, for the first time since 1997.

#### Banks Receive Loan Guarantees for SMEs

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¶19. During the last week of November, Chile's state-sponsored loan guarantee agency (Fogape) auctioned approximately \$93 million in loan guarantees for small- to medium-size enterprises (SMEs). 18 private banks participated in the auction, which is designed to boost lending to SMEs. Small- and medium-size enterprises have been disproportionately impacted by the global financial turmoil.

#### Halt In Sovereign Wealth Fund Diversification

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¶10. During its November meeting, the Financing Committee for Chile's two Sovereign Wealth Funds (SWFs) recommended against proceeding with a plan to diversify 35% of the Funds' investments. The Committee cited concerns stemming from the global financial crisis. Currently, the SWFs are held mainly in sovereign bonds and money market funds. The GOC had planned to diversify into riskier investments. The SWFs are valued at approximately \$21 billion (as of October 31). According to the Committee, none of the Funds' investments have been exposed to institutions suffering from liquidity or solvency issues.

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